

UNIVERSITY OF TORONTO

THE GOVERNING COUNCIL

REPORT NUMBER 242 OF THE BUSINESS BOARD

Tuesday, October 9, 2018

To the Governing Council,
University of Toronto.

Your Board reports that it met on Tuesday, October 9, 2018 at 5:00 p.m. in the Council Chamber, Simcoe Hall, with the following members present:

Keith Thomas (Chair)
Brian Lawson (Vice-Chair)*
Scott Mabury, Vice-President, University
Operations*
Kelly Hannah-Moffat, Vice-President,
Human Resources & Equity
Sheila Brown, Chief Financial Officer
Preet Banerjee
Robert G. Boeckner
Andrew Binkley
David Bowden*
Harvey T. Botting
P.C. Choo
Sara Gelgor
Gary D. Goldberg
Avrum Gottlieb
Sue Graham-Nutter
Ian Peter Hutson*
Jan Mahrt-Smith
**via conference call*

Price Amobi Maka*
Brian A. Miron*
John Paul Morgan
Bruce Winter

Non-Voting Assessors:

David Palmer, Vice-President, Advancement
Trevor Rodgers, Assistant Vice-President,
Planning and Budget
Gilbert Delgado, Chief, Planning, Design
and Construction
Saher Fazilat, Chief Administrative Officer,
UTM
Andrew Arifuzzaman, Chief Administrative
Officer, UTSC
Ron Saporta, Chief Operations Officer,
Property Services & Sustainability

Secretariat:

David Walders, Acting Secretary

Regrets:

Mala Kashyap
Mark Krembil
Chris Thatcher

In Attendance:

Elizabeth Cragg, Director, Office of the Vice-President, University Operations
Rosalyn Figov, Chief Operations Officer, Office of the Vice-President Human Resources
and Equity (VPHRE)
Daren Smith, President and Chief Investment Officer, University of Toronto Asset
Management Corporation (UTAM)

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IN CAMERA ITEM 18(c) WAS APPROVED. ALL OTHER ITEMS ARE REPORTED TO THE GOVERNING COUNCIL FOR INFORMATION.

Pursuant to section 33(i) of By-Law Number 2, items 16-18 were considered in camera.

OPEN SESSION

1. Chair's Remarks

The Chair welcomed members and guests to the meeting.

2. Approvals Under Summer Executive Authority

The Chair reported that there were no approvals under summer executive authority within the purview of the Business Board.

3. Calendar of Business, 2018-2019

The Chair noted that the Calendar of Business, which was available on the Governing Council website, would be updated on-line every Friday.

4. Investments: Semi-Annual Update on Investment Performance to June 30, 2018

Ms Brown reported that there were three pools of funds that UTAM manages: the expendable funds investment pool (EFIP) which included operating, ancillary, expendable donations, capital and research funds; a long-term capital appreciation pool (LTCAP), which included funds invested for the long-term, including, predominantly endowments, and; the Pension Master Trust (PMT or Pension). Each investment pool had its own risk profile, target return and investment strategy. She also noted that EFIP and LTCAP had a May to April fiscal year, and that the PMT had a July to June fiscal year. All funds were under the management of the University of Toronto Asset Management Corporation (UTAM), which itself had a January to December fiscal year.

Mr. Smith proceeded to offer a presentation, appended [here](#), highlighting the following key points related to investment performance for LTCAP, EFIP and Pension for periods ending June 30, 2018:

- Over the first half of the calendar year, LTCAP and Pension assets returned 2.2%, while EFIP returned 0.9%;
- On a year-to-date basis, portfolios underperformed target returns (LTCAP and Pension underperformed by 0.9% and EFIP underperformed by 0.2%);
- On a year-to-date basis, unfavourable capital markets resulted in Reference Portfolio returns for LTCAP and Pension that were 1.5% lower than the University's Target returns for LTCAP and Pension;

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- UTAM had added value over the Reference Portfolio for LTCAP and Pension on a YTD, 5-year and 10-year basis.
- All asset class exposures were within allowable bands at the end of June 2018;
- Active Risk for LTCAP and Pension remained well within the “Normal” Zone (-50 bps to 100 bps) at the end of June 2018.

Over the last 5 years, UTAM value added of 1.9% for LTCAP and 1.8% for Pension equated to over \$561 million of value-add combined. Mr. Smith noted that these returns were generated by UTAM while managing the portfolios in accordance with university constraints.

In response to a member’s question regarding the susceptibility of the portfolio to significant market downturns like 2008, Mr. Smith responded that, as a result of the implementation of various measures, the portfolio was now much better positioned to manage such scenarios. These measures included the implementation of a reference portfolio, risk limits and exposure parameters. As well, the portfolio was regularly stress-tested in an effort to assess performance in the event of market stress and devise ways in which to manage this.

Ms Brown and Mr. Smith both noted that achieving a real return of 4% on a go-forward basis would be challenging, and stressed the importance of viewing investment performance over the long term.

In reply to a members’ question, Mr. Smith confirmed that the year-to-date performance numbers for the portfolios had not been annualized. Rather they represented current, YTD performance.

The Chair thanked Mr. Smith and Ms Brown for the report.

5. Endowment Annual Financial Report for the Year ended April 30, 2018

Ms Brown noted that this annual report, prepared primarily for major donors, summarized the financial status of endowments collectively. The numbers were the same as those reported in the audited financial statements as at April 30, 2018. She reported that investment return was 6.7% for the May 1, 2017 to April 30, 2018 year, net of investment fees and expenses, as compared to an investment return of 15.4% for 2016-2017, also net of investment fees and expenses.

In accordance with the University’s *Preservation of Capital Policy*, Ms Brown stated that the strategy was not to spend everything earned through the investment of funds in years when investment markets were good. In favourable years, such as 2017-2018, funds in excess of the spending allocation were set aside and re-invested to provide a reserve to fund the spending allocation in years, such as 2015-2016, when investment markets were poor. Members asked questions concerning the stewardship of individual donor agreements and the effect of rising tuition costs on both the purchasing power of the donor gifts as well as the

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intent of those gifts. In reply, Ms Brown noted that donor agreements were managed by the individual units across the University to which the gift applied. Donation accounts with original contributed capital of \$95,000 and above were given individual investment reports as part of their donor annual stewardship package. The Audit Committee of the Governing Council provided additional oversight and guidance with respect to internal controls over all funds, including endowment accounts

Turning to rising tuition, Mr. Palmer advised that the focus of the endowment was to preserve the original purchasing power of the value of the donation. Depending on circumstances, some gifts may have kept pace with inflation but not with the original intent of the endowment (for example, if the donor's intent at the time of the gift was to provide a full scholarship to a student but the funding was no longer sufficient given increases in tuition fees beyond the rate of inflation). In such cases, donors are provided with full transparency as well as the option to modify their gift or modify the intent of the gift.

6. Status Report on Debt to September 30, 2018

Ms Brown reported that the debt was a combination of external (debenture) debt and internal debt from the University's expendable pool. At present, the debt policy limit was \$1.75B, of which \$325M was not yet allocated.

In reply to a member's question, Ms Brown replied that payments from the pension plan were compensation, not debt, and that the pension figures included in the report were special payments, as had been requested by Business Board at the time the Debt Strategy had been approved by the Board in 2012.

The Status Report on Debt to September 30, 2018 was received for information.

7. Health and Safety: Quarterly Reports on Compliance, June 1, 2018 – September 30, 2018

Professor Hannah-Moffat presented the quarterly report on compliance. The University was in compliance with its health and safety obligations. During the reporting period, there had been three orders issued by the Ministry of Labour. One of these orders (an elevator repair) was actioned and closed and the other two required no further action on the part of the University.

In reply to a member's question, Professor Hannah-Moffat reported that there was a robust tracking system in place to track students abroad who were conducting research, engaged in internships, or otherwise involved in University initiatives. The Reporting system did not capture students abroad on personal matters such as vacations.

The Report was received by the Board for information.

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8. Report on Capital Projects as of September 30, 2018

Mr. Delgado presented the Report on Capital Projects as of September 30, 2018, appended [here](#), which highlighted various planned capital projects, as well as capital projects currently in progress. Professor Mabury also noted that a capital plan, which would outline planned projects over the next 15 years, would be presented to the Board at an upcoming meeting.

In response to a question concerning rising construction costs, Mr. Delgado and Professor Mabury noted that steel tariffs were having an impact on costs. Members also asked questions regarding greenhouse gas emissions in relation to capital projects. Professor Mabury explained that the University had made a commitment to be 37% below 1990 greenhouse gas emissions levels by 2030 and that this mandate was a major factor in capital project planning.

9. Reports of the Administrative Assessors

Professor Mabury reported that at the next meeting of the Board, the 4 Corners Real Estate Strategy would be outlined. He also updated the Board on the Greenhouse Gas Reduction Program (GGRP), a Provincial initiative to support projects to reduce greenhouse gas. The University had received \$26.7M in innovation funding with an additional \$7.6M in retrofit funding. The goal was to have all of this funding allocated to projects by March, 2019.

OPEN SESSION CONSENT AGENDA

On motion duly moved, seconded and carried

YOUR BOARD APPROVED

THAT the consent agenda be adopted.

10. Report of the Previous Meeting

Report number 241, from the meeting of June 19, 2018, was approved.

11. Business Arising from the Report of the Previous Meeting

There was no business arising from the report of the previous meeting.

12. Report number 127 of the Audit Committee – June 18, 2018

Report number 127 of the Audit Committee, June 18, 2018, was received for information.

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13. Credit Report: Dominion Bond Rating Service (DBRS)

The report was received for information.

CLOSING ADMINISTRATIVE MATTERS

14. Other Business

The Chair stated that the Business Board had a Striking Committee with the responsibility to recommend to the Board appointed, non-Governing Council members of the Board and the Audit Committee. He informed members that a call for expressions of interest to serve on the Board's Striking Committee would be issued by the Secretary.

No other business was raised.

15. Date of the Next Meeting – Monday, November 26, 2018

The Chair advised members that the next meeting would be November 26, 2018 starting at 5:00 p.m.

IN CAMERA SESSION

The Board moved In Camera

16. Quarterly List of Donations of \$250,000 or more to the University of Toronto – May 1, 2018 to July 31, 2018

The Quarterly Report was received by the Board for information. Mr. Palmer reminded the Board about confidentiality surrounding the Quarterly Report.

17. In Camera Reports of the Administrative Assessors (oral reports)

Professor Hannah-Moffat and Ms Brown updated the Board on recent developments concerning the Provincial *Fair Workplaces, Better Jobs Act (Bill 148)*, the re-issuance of fitness to work guidelines at the University and smoking on University property.

Professors Mabury updated the Board on a forthcoming capital initiative at the Toronto Waterfront.

There were no other reports of the administrative assessors.

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18. Collective Agreements:

a) University of Toronto and the Carpenters' District Council of Ontario on behalf of Carpenters and Allied Workers, Local 27 (United Brotherhood of Carpenters and Joiners of America), May 1, 2018 – April 30, 2022

The collective agreement was received by the Board for information.

b) University of Toronto and International Brotherhood of Electrical Workers (IBEW) 353 (Electricians), May 1, 2018 – April 30, 2021

The collective agreement was received by the Board for information.

c) University of Toronto and OPSEU Local 519, July 1, 2017 – June 30, 2020

On motion duly made, seconded and carried

YOUR BOARD APPROVED

The recommendation of Professor Kelly Hanah-Moffat, Vice-President of University Operations, as outlined in the memorandum dated September 21, 2018, regarding the Collective Agreement between the University of Toronto and OPSEU Local 519, July 1, 2017 – June 30, 2020.

The Board returned to open session.

The meeting adjourned at 7:02 p.m.

Acting Secretary

Chair

October 11, 2018